MERTON CCG

FRP Delivery Plan

12th May 2016

Introduction and purpose of the paper

RSM has been commissioned to support NHS Merton CCG to develop its Financial Recovery Plan (FRP) which is the CCGs response to the current financial position.

NHS England has set out its requirements in terms of the main headings and areas to be considered as part of an FRP and expects organisations in financial turnaround to follow these requirements. The purpose of this paper is to introduce the FRP requirements and as importantly, how the CCG is planning to comply with them over the coming weeks.

The current assumption is that the CCG needs to have a developed FRP in place by the 3rd June 2016. RSM is adding capacity and capability into those areas where it has been agreed that there is a need – primarily in data analysis and interpretation, strengthening existing QIPP governance and assisting the development of a credible QIPP plan which returns the CCG into financial balance.

Within this paper we set out our approach to working with you, the requirements of an FRP, the timeline and the activities to deliver a robust FRP.

It is early days and thus far, whilst the CSU are organising the data needed to underpin the plan, we have focused on creating the FRP delivery plan, devising an appropriate QIPP plan governance structure, populating those elements of the FRP that do not rely on 'new' data and benchmarking where existing data exists, such as Right Care and other CCG QIPP plans. Looking ahead we will work with the existing CCG governance structures to deliver draft FRP sections and QIPP plans for approval and sign off in line with delivering a completed FRP by the 3rd June 2016 deadline.

RSM is also working with NHS Richmond CCG to support it in developing its FRP, and where possible we will combine our energies, ideas and activities to deliver our work efficiently and where practicable, consistently across both CCGs as this should allow for benefits of synergy and improved traction in securing greater QIPP benefits across two CCG footprints.

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Background of FRP

Merton CCG has historically been in a net surplus position but has recently faced increasing challenge. This has led to a plan assessing a deficit position of £6m for FY17, subject to discussions with NHSE.

The primary reasons for this include:

- Inequalities within an ageing population causing pressure to deliver healthcare services within Merton.
- Historical under budgeting for acute activity growth. This has led to incurred costs in excess of expectations and has been a regular occurrence with St Georges NHS trust.
- Slippage in investments during 2014/15 which had a negative impact in the following year- this has had a sharp downward impact on the liquidity and financial position of the CCG.
- Unanticipated growth in elective referrals and outpatients which had led to unsustainable costs.
- The change in the tariff system with the transition to enhanced tariff option. The estimated net impact was approximately 3%.
- Reserves which were provided for but uncommitted, causing a decrease in the overall surplus.

As a result a credible FRP is required urgently by NHSE. This will need to describe the scope for savings and the plan for implementation over the coming months, to eliminate the 2017/18 deficit and to contribute towards the management of the in-year position.

To ensure this occurs, a robust approach is required on a financial, operational and strategic basis in the form of a set of actions which can be implemented on a timely basis over the next five years.

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Approach (1)

The executive team have stressed that our work is to be conducted alongside the CCG team so that the solutions are agreed as being feasible, so that there is local ownership of the plan. Therefore we are working closely with Merton CCG to assist in the production of a credible FRP within the required timescale. Primary focus is on the current and desired state with robust assessment and financial analysis over a number of areas. We summarise below how we are working with Merton CCG to achieve the desired outcomes:

- Embedding within your teams
- Providing additional capacity
- Providing additional capability
- Providing external check and challenge
- Providing peer CCG benchmarking data
- Providing analytical and interpretation support
- Providing 1:1 senior support and advice
- Third party sense check for NHS England

Approach (2)

Merton CCG's five year plan is stretching, but we are supporting you to achieve your goals in the short term by firstly creating a plan which will provide a mechanism to highlight and address issues. Subsequently the building blocks will be created to ensure that actions can be implemented utilising the appropriate skills, resource and experience.

The development of the FRP by 3rd June 2016 represents the first building block in what is a complex planning environment, where the ask for CCGs is to delivery in the short term, whilst planning for the long term. This will be achieved through linking the FRP to other initiatives under way:

1

FRP

-A plan which sets out the background and context to the financial position and importantly, what and how the CCG is doing to respond and achieve financial sustainability.

- The FRP includes the processes and actions required to ensure QIPP targets are met along with a detailed QIPP plan and governance structure.

2

STP

- The STP is currently in the process of being developed for the CCGs footprint.

- It is important that Merton CCG's FRP does not destabilise the current planning activities and strategic direction of travel

3

Five Year Plan

-In addition to the STP for the local economy, the CCG has to develop a five year financially costed plan which meets NHSE criteria

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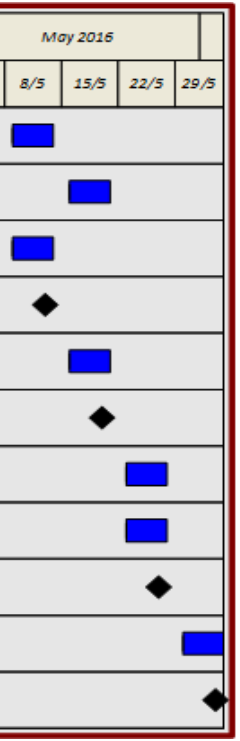
FRP Delivery Timeline and Tasks

ID	Task Name	Start	Finish	Duration
1	Analyse Right Care Data	09/05/2016	13/05/2016	5d
2	Analyse Practice Variation	16/05/2016	20/05/2016	5d
3	RSM CCG Client QIPP Benchmarking	09/05/2016	13/05/2016	5d
4	Issue Papers to Governing Body	13/05/2016	13/05/2016	0d
5	Other Benchmarking	16/05/2016	20/05/2016	5d
6	Governing Body Meeting	20/05/2016	20/05/2016	0d
7	Shift in Care Delivery Settings	23/05/2016	27/05/2016	5d
8	Testing Identified Opportunities	23/05/2016	27/05/2016	5d
9	Data Analysis Completed	27/05/2016	27/05/2016	0d
10	Compile FRP	30/05/2016	03/06/2016	5d
11	Issue FRP	03/06/2016	03/06/2016	0d



Summary of FRP (1)

The following two slides provide an overview of the FRP sections which we will be drafting, and provide a high level summary of what we will cover within the respective sections of the FRP. Please note this may change throughout the project dependent on the findings and their relevance to Merton CCG.

FRP major section	Sub-section	Description
Executive Summary	n/a	A high level summary of the entire FRP which will allow a reader to only read this section and the next steps, but still understand the FRP and the intended actions.
Next Steps	n/a	A summary of the key next steps, milestones and deliverables of the FRP, and responsibilities.
Why are we preparing an FRP?	The local health economy	A brief background to the local health economy and CCG to provide context.
	Our vision and 5 year plan	It is vital that the FRP is linked to, and assists in driving the overall vision and 5 year plan, so a summary of this is provided in this section, along with the financial performance.
	Clinical performance and outcomes	Clinical performance and patient outcomes remain firmly at the forefront of everything the CCG does, and how the FRP links with this is set out here.
	Our key partners and contracts	A brief section on the key partners and contracts already in place e.g. Kingston.
	Recent historic financial performance vs budget	Explanation of the underlying deficit problem and the key drivers of that deficit. Significant variances will be set out to provide context for the FRP and QIPP.
	Budgetary process	Description of the internal process and governance used in setting our budget and critique of this process.
	Benchmarking	Data which has informed our decision making and planning as part of the FRP.
	QIPP process and PMO	A summary of how the QIPP amounts were evaluated, how they have been developed, and who is tasked with delivering them.
	QIPP historic performance	Details on what has already been delivered, and any issues with delivery.
	Summary Management structure	The key organisation structure such that it is clear who will be delivering what aspect of the FRP, and who is accountable.
Why are we preparing an FRP?	SWOT analysis	A high level SWOT analysis to show what needs to be addressed by the FRP i.e. what strengths there are to build on and what opportunities need to be exploited.

Summary of FRP (2)

FRP major section	Sub-section	Description
Where do we want to be?	FRP overall strategy	A synopsis of the overall FRP and the elements which are required to deliver it.
	Clinical and operational excellence	Consideration of the potential impact of the FRP on clinical/ operational/ patient outcomes – to ensure that these are not impacted, or are impacted positively.
	Financial forecasts	Details of the forecasts, bridges from current/ recent performance and key assumptions which underpin the forecasts.
	QIPP programme and assessment	Details of the planned QIPP as set out in the financial forecasts, and an assessment of how deliverable they are by key area/ QIPP.
	Sensitivity analysis	Considering any risks highlighted above, a sensitivity analysis of the forecasts in certain scenarios (see below for mitigation of risks).
How will we get there?	Governance and Management	The governance structure and management team who will deliver the plan, and any changes which have been made. The level of accountability and performance management required to deliver the FRP.
	PMO structure	The team structure and how it will deliver the forecast QIPP. How the QIPP performance will be monitored and if there is under performance, how and who will intervene.
	Contract Management / Partnerships	What the key partnerships and contracts are and how they will be managed to deliver this FRP. We recognise that partnership will be key to delivery.
	Communication with stakeholders	The communication strategy with key stakeholders e.g. timeline / format/ responsibility. Consideration of wider comms required e.g. Press impact.
	Internal comms	Staff engagement and buy-in will be critical to delivery – this section will set out how this will be achieved.
	Embedding / cultural change	Themes are likely to include – Communications / Performance review/ requirement for a Turnaround Director / Staff engagement surveys or focus groups etc.
	Operational readiness assessment	An appraisal of how ready the CCG is currently to deliver the FRP – a table of current risks and impact
	Mitigation of risks	Taking all the risks identified in the FRP, particularly those within the control of the CCG and setting out the actions the CCG will take to mitigate them.

Development of the QIPP plan

The current QIPP plan as set out within the CCG 2016/17 Financial Plan equates to £7.3M, of which c£2M remains unidentified at this point. Furthermore our high level assessment of the likelihood of delivery of the £5.2M identified QIPP assumes further slippage of £0.8M due to late starts, ambitious timescales, lack of robust data etc. Therefore in order to ensure the deficit is not greater than £6M, there is an urgent need to find a further £2.8M of QIPP. However, it is recognised that the CCG is still in discussion with NHSE over what is an acceptable level of deficit for 2016/17. Clearly, an agreement to a deficit outturn below the £6M assumes a greater level of QIPP delivery and therefore more savings to find.

The CCG recognises that the current governance of the QIPP plan is inadequate and is investing in PMO resources and Project Leads. However, more is required in that it is clear that the current projects are not housed within an appropriate workstream of like minded projects. Having individual projects report into a workstream would allow for greater linkage and cross over between schemes targeted within the same spend category. It would ensure no duplication of effort, double counting of benefits and that the timelines for individual projects are synced to ensure that where a reliance on another scheme is in place that they are timed accordingly. Equally, having an identified Head of Programme sitting atop each workstream would provide greater governance scrutiny, challenge and capacity. Overleaf we have set out the proposed QIPP plan structure, including suggested workstreams under which we would suggest that we house the individual projects.

Further details of the QIPP structure, QIPP plan and governance arrangements will feature within the populated FRP.

Once we receive the data that we have requested from the CSU, we will use this to test our ideas for further QIPP opportunities. Working with the CCG, we will help you bring these ideas to fruition.

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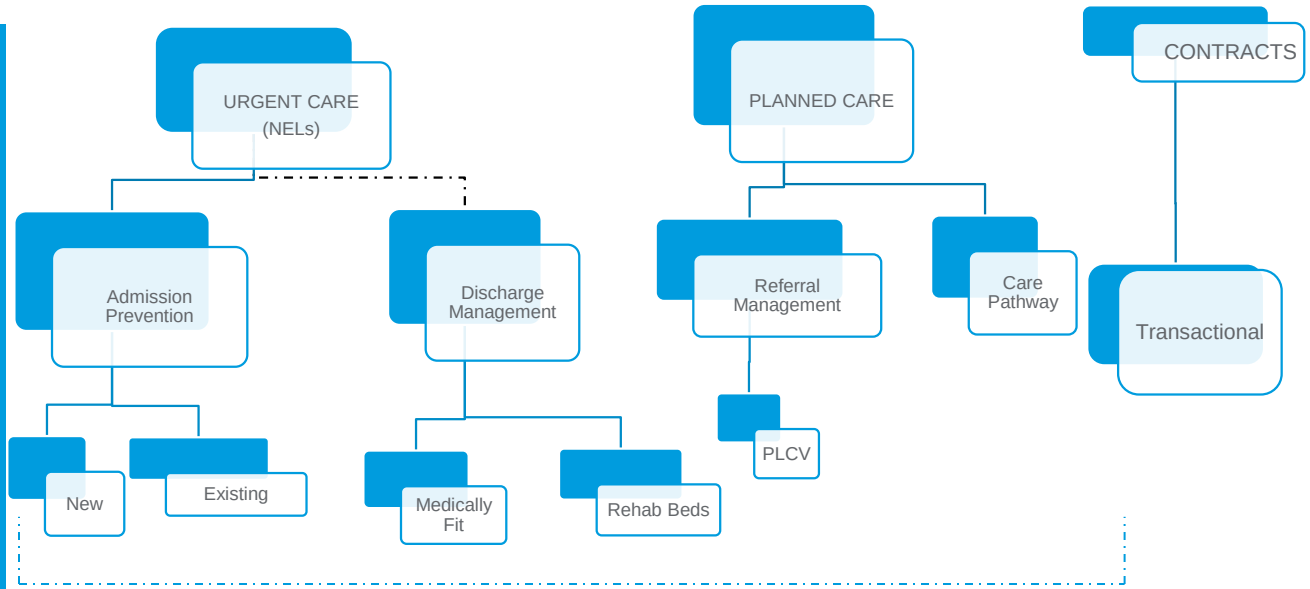
QIPP Plan structure - proposed



Appendixes

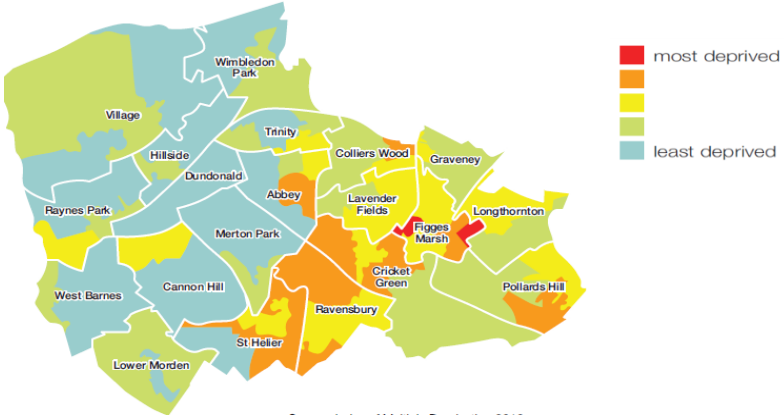
Appendix 1- FRP example slides

Why are we preparing an FRP?

The Local Health Economy (LHE)

Merton CCG is responsible for commissioning in excess of £200m of local healthcare services within the borough. We have a group of 25 GP member practices and work together with our partners to ensure the right outcomes can be achieved for our patients in the short, medium and long term. We have the highest allocation in England (cc.5%) and have continued to strive for improvements in services for local people and live within our means.

One of our biggest challenges surrounds the local demographics within the borough. More specifically, within Merton there are positive correlations between deprivation and life expectancy. As deprivation levels lack consistency within Merton our goal is to reduce such inequalities ensuring programmes are implemented to enhance quality and availability of healthcare services across the borough in

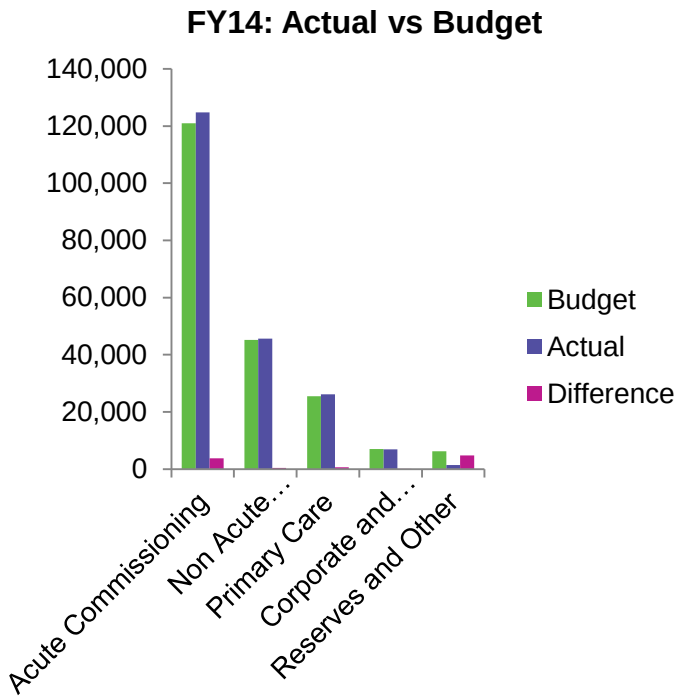


The diagram to the left illustrates the variation in deprivation across the borough. The East and Southern regions have higher levels of deprivation. Ensuring consistency will enhance health care services as well as supporting the monitoring and budgeting of services from a financial, operational and strategic point of view. A financial recovery plan will ensure the appropriate steps are being implemented to address such issues.

We discuss some continuing and challenging areas of focus on the following page.

Why are we preparing an FRP?

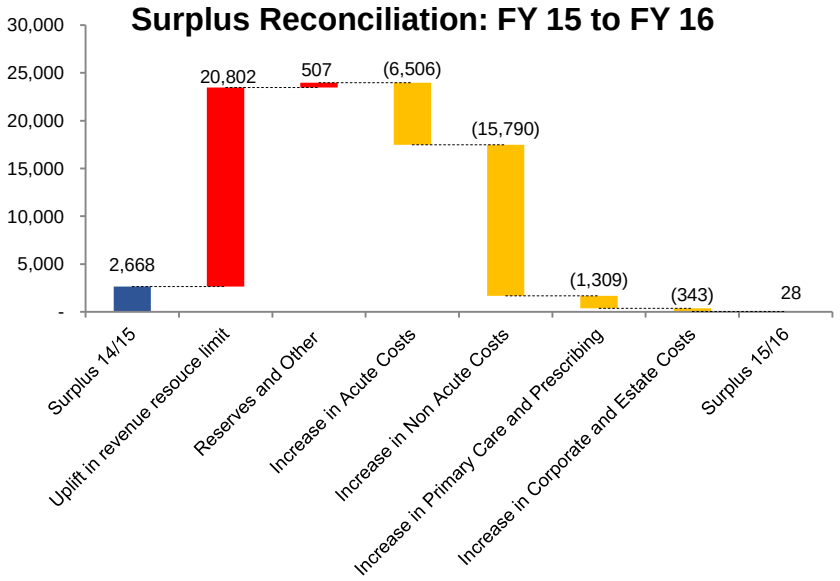
Recent financial performance Vs budget- 2013/14



Caption	Variance (actual vs budget)	Explanation
Acute Commissioning	(3,822)	• Variance of £2.3m was incurred at St Georges NHS trust explaining the majority of the variance. • Streams with commissioning exceeding expectations included outpatient procedures, non elective, A and E and maternity.
Non Acute Commissioning	(415)	• An over-spend was incurred of £0.4m surrounding the South West London mental health contract. This is owing to a QIPP project which hadn't started during the financial year.
Primary Care	(596)	• QIPP schemes didn't start within this financial year as expected. • This had led to variances due to such schemes not starting in relation to nutrition, dressings and branding.
Corporate and Estate Costs	39	• Overall budget largely in line with actual illustrating planned and controlled costs surrounding corporate and estate costs. • Staff costs were lower than expected and this was the primary driver behind the favourable variance.
Reserves and Other	4,794	• Significant reserves in place surrounding the SLA reserve (variance £4m) and non-recurrent fund (£2.7m) explaining the substantial variance

Why are we preparing an FRP?

Recent financial performance Vs budget



For FY15 the CCG had achieved a surplus of £2,668k but for FY16 we had a surplus of just £28k. Although in a net surplus position this represents a substantial decrease. A robust approach will be required which will put us into a deficit in the shorter term (£6M deficit) but ensure a healthier financial position in the longer term (£10m surplus and beyond).

The primary reasons for the deficit position include:

- Historical under budgeting for acute activity growth. This has led to incurred costs in excess of expectations and has been a regular occurrence with St Georges NHS trust.
- Slippage in investments during 2014/2015 which had a negative impact in the following year- this has had a sharp downward impact on the liquidity and financial position of the CCG.
- Unanticipated growth in elective referrals and outpatients which had led to unsustainable costs.
- The change in the tariff system with the transition to enhanced tariff option. The estimated net impact was approximately 3%.
- Reserves which were provided for but uncommitted causing a decrease in the overall surplus.
- Inequalities and an increasing ageing population increasing pressure on healthcare services within the Merton population.

Date of Document	Author	Revision Level	Reason for Change
12th May 2016	Mike Gill	Initial Draft	Initial draft
12th May 2016	Paul Brown	First	Partner Review

Date of Document	Revision Level	Approved By	Date of Approval
12th May 2016	First revision	Paul Brown	12th May 2016

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